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Alberta ECONOMIC OUTLOOK

Season's Greetings *December 1972*

ALBERTA – NATIONAL AFFAIRS

The momentum of the **Canadian economy** slowed somewhat in the third quarter according to the Conference Board of Canada. The slowdown was reflected by a fall in July and August from the June levels of **real domestic product, industrial production** and **manufacturing shipments and orders**. The Conference Board feels, however, that these trends were only temporary, caused by several unexpected events such as adverse climatic conditions, work stoppages due to strikes, the deterioration of the foreign trade balance and uncertainty over the federal election. Economic indicators still point to the continued growth of the economy.

W.L. Porteous, Director of Statistics Canada's Agriculture Division, predicted at the recent Canadian Agricultural Outlook Conference that 1972 would be a record year for **farm net income** in Canada. The combination of increased wheat sales, at high prices, and higher livestock prices is expected to raise farm net income to $2 billion this year, a $600 million increase from 1971 and $300 million above the record crop year of 1965–1966. However, Mr. Porteous warns that in 1973, farmers will likely see a 4 – 5 per cent drop in their net income due to falling crop receipts, although livestock income should continue to rise.

The successful year for most Canadian farmers, especially wheat producers, raises the fear that farmers will discontinue their diversification programs and switch back to wheat production, particularly in light of the expected strength in 1973–74 of the wheat market. While the international demand for wheat should continue strong in the short-run, it is hoped that Canadian farmers will plan accordingly so the oversupply problems which developed in the late sixties and early seventies can be avoided.

Canadian **production of crude oil and natural gas** is expected to reach record volumes in 1973, according to the Toronto Dominion Bank. Total demand for petroleum products in 1973 should increase by more than 6 per cent, with export demand providing the major impetus with an increase of 13 to 14 per cent. Aggregate domestic sales of natural gas are also expected to rise by 11 per cent, with Ontario accounting for about 50 per cent of these sales. Export sales of natural gas should also increase by a minimum of 3 per cent in 1973. The effect of this expanded demand for petroleum products will undoubtedly result in increased prices for crude oil and natural gas in 1973.

PROVINCIAL AFFAIRS

The expansion of the **Alberta economy** in 1972 should continue well into 1973. The main thrusts behind this growth, namely **consumer and capital spending and increased personal incomes**, are expected to be prominent influences again in 1973.

In spite of the strength displayed by most economic indicators during the past year several forces could dampen Alberta's optimistic economic outlook for 1973. **Rising prices**, coupled with the uncertainty created by the recent federal election results, could reduce or delay some of the investment intended for Alberta in 1973. However, even in view of these considerations, it seems almost certain the Alberta economy will continue to expand throughout the coming year. In particular:

- Total spending in the Manufacturing Industry in Alberta for 1973 should approach $256 million, up from mid-1972's intentions of $232.9 million.
- At least a 10 per cent increase in the value of **manufacturers' shipments** in Alberta can be expected in 1973.
- The increase in **production of crude oil and equivalent and natural gas** should not fall below 1972's anticipated growth of 15 and 16 per cent, respectively.
- **Sales of propane and butane** have been strong to the end of September, 1972, with increased sales of 28.3 and 38.5 per cent, respectively, over 1971 figures. Prospects are for similar increases next year.
- Although **sulphur sales** are expected to increase in 1973, reduced prices will cause the average netback to producers to fall below that of 1972.

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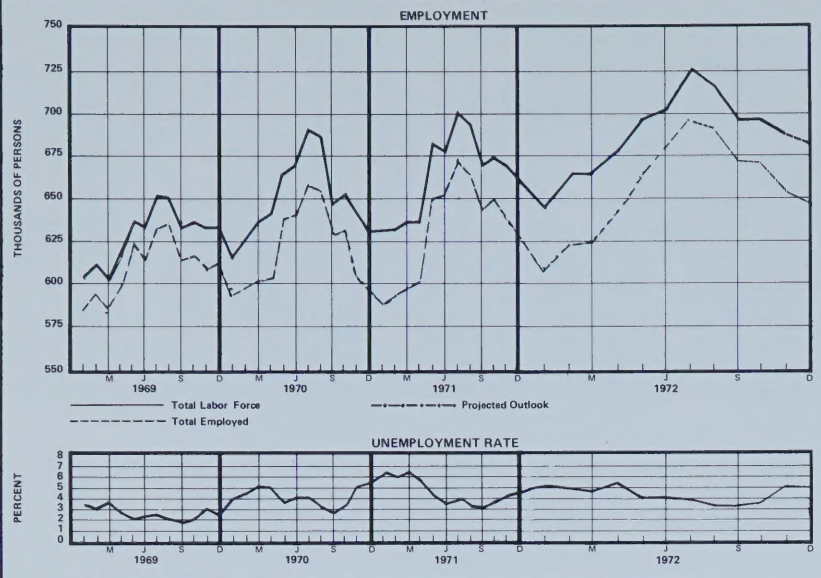
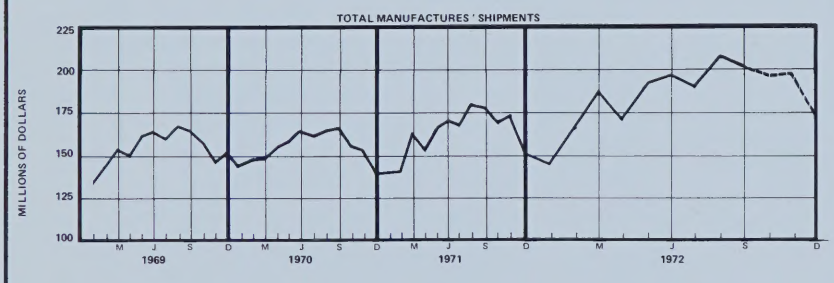


EMPLOYMENT

The usual seasonal decline in total employed in November to 653,000 was more extensive than forecast last month, due mainly to a shift of agricultural workers from the labour force. The labour force declined to 688,000, with total unemployed rising to 35,000, or an unemployment rate of 5.1 per cent. For December, the labour force and total employed are expected to decline to 682,000 and 648,000, respectively, resulting in an unemployment rate of close to 5.0 per cent. Prospects for January are for further seasonal declines in the labour force and total employed.

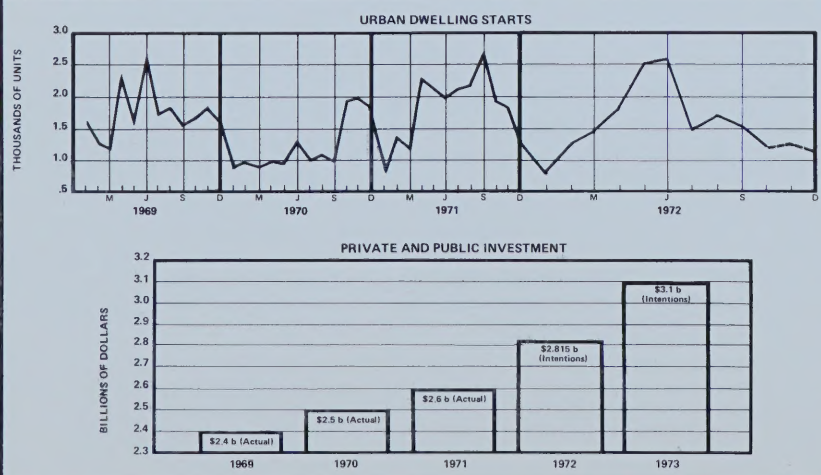
RETAIL TRADE

Retail trade in 1972 continues at close to 14.5 per cent above the comparable period in 1971, with the total to the end of September estimated at $1,982.5 million. September's total reached $237.5 million, an increase of almost 13 per cent over September, 1971. Prospects for December are for the value of sales to be close to $301 million, as a result of Christmas purchases. January's total will decline from December, still substantially above January, 1971.



MANUFACTURERS' SHIPMENTS

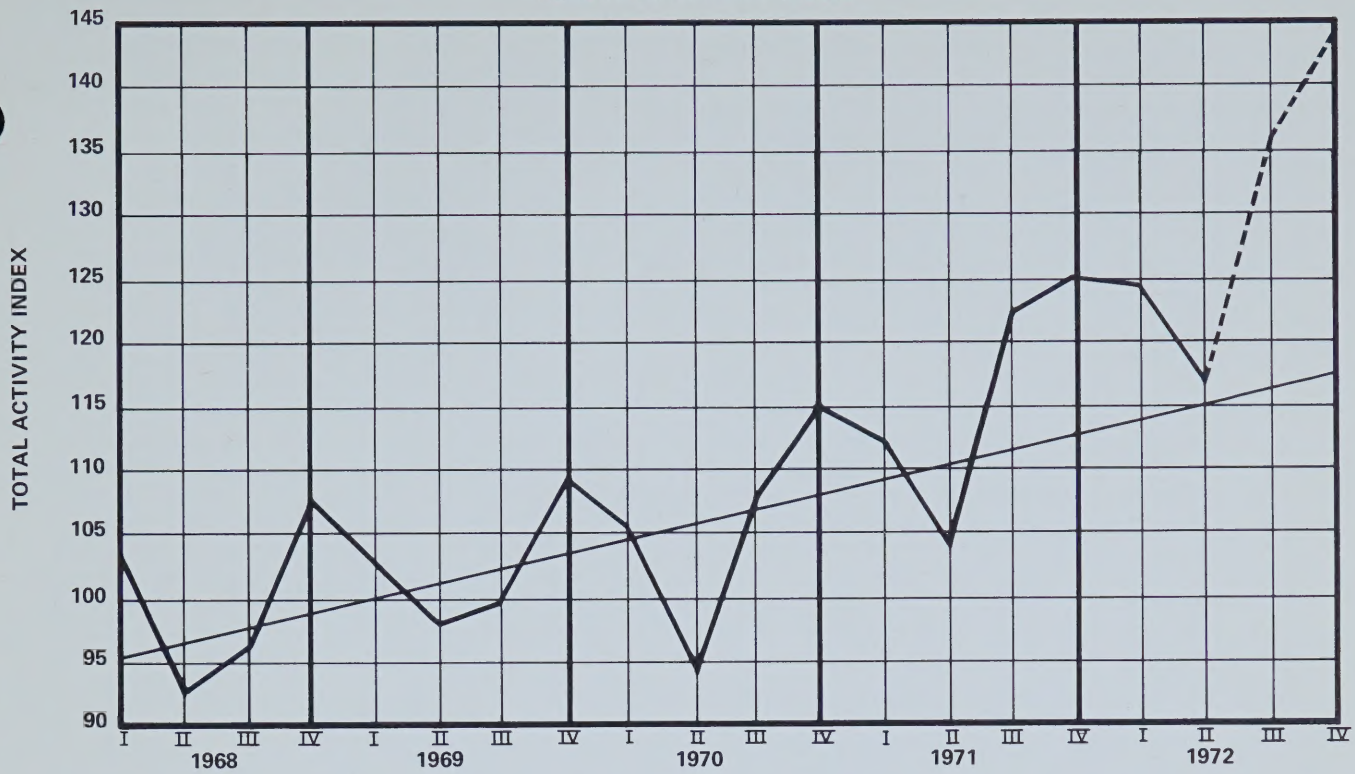
The preliminary total for the value of shipments to the end of September, 1972, is close to $1,655 million, some 14 per cent above the same period in 1971. October's forecast of $246 million still stands, with December's value expected to decline to $173 million, some 14 per cent above December, 1971. Prospects for January indicate further seasonal declines in shipments, with gains expected in February and March.



HOUSING AND INVESTMENT

The decline in multiple dwelling starts in urban centres in Alberta continued in October, resulting in a total of 1,216 starts, a decline of 35 per cent from October, 1971. As a result, total starts should be close to 19,300 at year-end, a decrease of 11.0 per cent from 1971's total of 21,706. The prospects for the first quarter of 1973 are for further seasonal declines in the number of starts, approximating the same period in 1972. Total capital and repair expenditures are expected to increase to close to $3.1 billion in 1973, an increase of 10 per cent over 1972 intentions.

ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity Total Year 1971 - 1970	 Year to Date 1972 - 1971
MANUFACTURING		
Slaughtered Meat Production	+13.6	+ 4.5 (Jan. – Sept.)
Slaughtered Meat Exported	+12.6	+ 6.9 (Jan. – Sept.)
Refinery Production	+10.7	+28.2 (Jan. – Sept.)
Cement Production	+ 4.5	+ 4.1 (Jan. – Oct.)
MINING		
Oil Production	+ 9.4	+18.7 (Jan. – Sept.)
Gas Production	+10.1	+14.8 (Jan. – Sept.)
Footage Drilled	+ 1.8	+23.0 (Jan. – Sept.)
Number of Wells Drilled	+ 9.6	+16.9 (Jan. – Sept.)
Coal Production	+31.7	+20.5 (Jan. – Sept.)
CONSTRUCTION		
Urban Dwelling Starts	+54.0	- 13.9 (Jan. – Oct.)
Rigid Insulation Board Shipments to Alberta	+15.6	+15.3 (Jan. – Sept.)
Metal Shapes Shipments (Est'd)	- 4.0	+10.5 (Jan. – Sept.)
AGRICULTURE		
Grain Shipments	+ 8.8	- 7.6 (Jan. – Oct.)
Livestock Marketed	+15.1	- 0.5 (Jan. – Sept.)
Farm Cash Receipts	+ 9.8	+13.8 (Jan. – Sept.)
FORESTRY		
Lumber Production	+ 6.1	+ 9.4 (Jan. – Sept.)
Lumber Sales	+34.7	- 3.7 (Jan. – Sept.)
Lumber Exports	+26.5	+16.5 (Jan. – Sept.)
Pulpwood Production	- 34.9	+75.7 (Jan. – Sept.)

UNEMPLOYMENT RATE (Unadjusted)	NOVEMBER 1972	OCTOBER 1972	NOVEMBER 1971	OCTOBER 1971
Canada	5.9	5.2	5.8	5.1
Alberta	5.1	3.7	4.2	3.7

Increased sales may not be sufficient to increase total revenues above those of 1972.

- **Coal production**, running about 21 per cent ahead of the first nine months of 1971, is expected to maintain that pace to the end of 1972 and into 1973.
- **Oil and Gas exploration activity** in western Canada during the past two years has been surpassed in the first 9 months of 1972. This level of activity is expected to continue due to the prospects for further increases in crude oil and natural gas prices.
- The outlook for all major Alberta crops in the next seven months is favourable, with high prices expected to prevail for each. Cattle marketings in 1973 are expected to be close to 7 per cent above those of 1972. Hog marketings are also expected to be strong until mid-1973 with relatively firm prices and strong domestic and foreign demand. Given these prospects, it is expected total farm cash receipts in Alberta will be maintained at levels at or slightly above that experienced in 1972.
- For 1973, total **capital and repair expenditures** could increase by close to 10 per cent, to nearly $3.1 billion, with the bulk of expenditure being contributed by construction outlays.
- **Total dwelling starts** should approximate 1972 levels. Mortgage rates should approximate 1972 levels at close to 9¼ per cent.
- **Rising personal incomes** and the general expansion of Alberta's economy will be important factors in sustaining the strong domestic demand for lumber in Alberta. In addition, the continued upswing in the U.S. economy should again produce a strong export demand for **Alberta lumber**.
- Production of **pulpwood** in Alberta for 1973 is also expected to reach new heights due to increased requirements for the Hinton mill and the building of inventories for the new mill near Grande Prairie.
- Prospects for 1973 indicate that consumer expenditures on goods and services should again increase by at least 10 per cent.
- As a composite, the **consumer price index** for Edmonton–Calgary is expected to increase by close to 4.5 per cent in 1973.
- Personal income per capita and disposable income per capita in Alberta are forecast to increase by close to 6 and 5 per cent, respectively.
- Expectations place the **average labour force participation rate** at 59.7 per cent, **total labour force** at 707,000 and **total employed** at 678,000. The **unemployed** will average close to 29,000, resulting in an average **unemployment rate** of 4.1 per cent.

In 1971 and 1972, the Alberta economy picked up from the slowdown in economic activity in 1970. In general, all economic indicators to date have reflected this growth and are expected to be positive again in 1973. The growth throughout the economy should result in increased investment in all industrial sectors.

ALBERTA – INTERNATIONAL AFFAIRS

Most key economic indicators seem to forecast a strong and expanding **U.S. economy**, at least through 1973, according to the U.S. Commerce Department. Real growth in G.N.P. should reach six per cent, with unemployment reduced to about 5 per cent, interest rates remaining stable, and the inflation rate reduced to between 2 and 3 per cent per annum. U.S. officials expect fiscal and monetary policies to become somewhat less stimulative as the economy approaches full employment. The growing confidence in the U.S. economy was displayed recently when, on November 14, 1972, the **Dow Jones Industrial Average** closed at a record 1,003.16, the first time in history it had closed above 1,000. A strengthened U.S. economy can only add additional stimulus for further growth and expansion of the **Canadian economy**.

BUSINESS OUTLOOK

A review of forecasts for the Canadian economy indicates a continuance of growth in 1973 similar to that experienced in 1972. For example, the Canadian Imperial Bank of Commerce predicts:

- Total consumer expenditures to increase by about 10 per cent;
- Business spending on machinery and equipment should rise considerably and investment in non-residential construction should be much higher than in 1972;
- Total capital expenditures for plant and equipment may increase by as much as 15 per cent;
- Housing starts may show a slight decline from the very high level reached in 1972;
- Current expenditures by governments should increase by about 11 per cent;
- The merchandise trade balance for 1973 is not expected to change from that of 1972; and
- G.N.P. should rise by 10½ per cent, consisting of approximately a 6 per cent real increase in value of production and an increase in prices of about 4 per cent.

Most of the published forecasts agree that while the prospect for continued economic growth in Canada seems well assured, unemployment and inflation will continue to be the major problems, although not as severe as in 1972.

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